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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
-----x

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 CAROLINE ELLISON,

6 Defendant.

Sentence

7 -----x
8 New York, N.Y.
9 September 24, 2024
3:00 p.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
16 Southern District of New York
17 BY: DANIELLE R. SASOON
18 NICOLAS ROOS
19 DANIELLE KUDLA
20 THANE REHN
21 Assistant United States Attorneys

22 WILMER CUTLER PICKERING HALE & DORR LLP
23 Attorneys for Defendant

24 BY: ANJAN SAHNI
25 STEPHANIE AVAKIAN
NICHOLAS WERLE
PETER GILLIES NEIMAN

Also Present:

Luke Booth, FBI
Kristin Allain, FBI

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1 (In open court; case called)

2 DEPUTY CLERK: Government, are you ready?

3 Please put your appearances on the record.

4 MS. SASSOON: Yes, your Honor.

5 Danielle Sassoon for the United States. I'm joined by
6 my colleague Thane Rehn, Nick Roos and Danielle Kudla and by
7 Special Agents Kristin Allain and Luke Booth.

8 THE COURT: Good afternoon.

9 DEPUTY CLERK: Defendant, are you ready?

10 MR. SAHNI: Yes. Good afternoon, your Honor.

11 Anjan Sahni on behalf of Ms. Ellison, joined by my
12 colleagues from Wilmer Hale, Stephanie Avakian, Nick Werle and
13 Peter Neiman.

14 THE COURT: Good afternoon.

15 Just for the record, although I've said this earlier
16 in an appearance in this case, one of my law clerks worked for
17 Wilmer Hale, and I think is going back to Wilmer Hale, but he
18 has nothing to do with this case. He is present, but he has
19 nothing to do with it.

20 The second thing before we really get started, is
21 this: What is proposed to be done about restitution in this
22 case and when?

23 MS. SASSOON: Yes, your Honor. We're asking that the
24 Court follow the same process as requested at the sentencing of
25 Sam Bankman-Fried, which is the Court declined to order

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1 restitution, and instead granted the government's motion to
2 authorize the government to compensate victims with forfeited
3 assets through a remission process. We make the same motion
4 here: That we be authorized to compensate victims with
5 forfeited assets through a remission process.

6 THE COURT: Is that in the -- does that presume that
7 what you're going to do is use the remission process or are you
8 asking for authority to do either?

9 MS. SASSOON: I believe that it's our intention to use
10 the remission process, and that is what the Court authorized at
11 the prior sentencing, but I'll turn it over to my forfeiture
12 expert.

13 MR. REHN: Your Honor --

14 THE COURT: Here's the forfeiture expert.

15 MR. REHN: I don't know that I'm a forfeiture expert.

16 THE COURT: You'd better be now.

17 MR. REHN: I'll do my best. The provision having to
18 do with restitution that's applicable here is in 18 U.S.C.
19 3663(a)(c)(3), which provides that restitution is not required
20 in the case of an offense if there are one of two facts:

21 (1) the number of identifiable victims is so large as to make
22 restitution impracticable, or (2) if determining complex issues
23 of fact related to the cause or amount of the victims losses
24 would complicate or prolong the sentencing process.

25 We detailed in our written submission with respect to

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1 the Bankman-Fried sentencing why both of those criteria are met
2 here. There is an extremely large number of victims, and
3 ascertaining the specific loss for each victim would be
4 difficult to do in a proceeding such as this and to memorialize
5 in a restitution order. So it is the intention of the
6 government pursuant to Department of Justice policy to engage
7 in a remission process are where we obtain forfeited funds both
8 from this defendant and the other defendants in the case and
9 then work to provide those funds to victims through that
10 process.

11 THE COURT: If it's too complicated to do here, how is
12 it going to happen there?

13 MR. REHN: Your Honor, we're still working on the
14 specifics of the procedure. We are looking to prior cases,
15 such as the Madoff case, in which the same order was entered at
16 sentencing as this Court did at Bankman-Fried's sentencing.

17 THE COURT: And they're still at it, right?

18 MR. REHN: And they're still at it. And we anticipate
19 this will be a lengthy process. We've already recovered in
20 excess of \$1 billion of assets. We expect that number will
21 continue to increase, and it will either be a claims
22 administration process administered by the Department of
23 Justice's money laundering asset recovery section, often known
24 as MLARS, or, as in the Madoff case, we will work with the
25 existing claims process in the FTX bankruptcy to identify

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1 victims of the crimes here. There's obviously substantial
2 overlap with claimants in the FTX bankruptcy, and then use the
3 existing kind of pipelines for providing funds to victims in
4 the bankruptcy proceeding to also provide forfeited funds to
5 victims.

6 THE COURT: You're not proposing to hand it over to
7 the MDL litigation.

8 MR. REHN: That's correct, your Honor. The MDL
9 plaintiffs are in a settlement posture with the FTX debtors and
10 bankruptcy.

11 THE COURT: I understand that.

12 MR. REHN: But we are not planning to hand it over to
13 them.

14 THE COURT: Fine. Very well.

15 Mr. Sahni, have you and your client had the
16 presentence report for the necessary period?

17 MR. SAHNI: We have, your Honor.

18 THE COURT: Ms. Ellison, have you read the presentence
19 report?

20 THE DEFENDANT: Yes, I have, your Honor.

21 THE COURT: Have you read every word of it?

22 THE DEFENDANT: Yes, your Honor.

23 THE COURT: The presentence report will be sealed and
24 available to counsel in the event of an appeal.

25 Mr. Sahni, are there any unresolved objections to the

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1 presentence report?

2 MR. SAHNI: Not from us, your Honor. Thank you.

3 THE COURT: Any from the government, Ms. Sassoon?

4 MS. SASSOON: No, your Honor.

5 THE COURT: I adopt the presentence report and the
6 guideline computation and range that it contains.

7 I have received in relation to the sentencing a letter
8 from Wilmer Hale dated today, the presentence report, a draft
9 consent preliminary order of forfeiture, a letter from the
10 government of the 17th of September, a letter from the
11 government, I guess this is the plea agreement, the
12 December 18th plea agreement, and a submission on behalf of the
13 defense that includes a great many exhibits.

14 Is there anything else of which I ought to be aware?

15 MS. SASSOON: No, your Honor.

16 MR. SAHNI: No, your Honor.

17 THE COURT: All right. Well then, Mr. Sahni, I will
18 hear from you on behalf of the defendant.

19 MR. SAHNI: Thank you, Judge.

20 THE COURT: Whenever you're ready.

21 MR. SAHNI: Thank you, your Honor.

22 It has been a privilege to know Caroline Ellison over
23 these last two years. I should start by saying that she has
24 many remarkable strengths, a brilliant mind, a deep sense of
25 obligation to do good in the world, kindness, decency and

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1 toughness that have shown through despite highly adverse
2 circumstances.

3 I would like to recognize, Judge, that her parents,
4 Sara and Glenn, and her two sisters, Anna and Kate, are here in
5 court. Today is a very difficult day for all of them. But
6 they have a lot to be proud of in their eldest daughter and
7 their big sister.

8 What is so tragic and devastating about this case,
9 Judge, is how rapidly and needlessly the trajectory of
10 Ms. Ellison unraveled. Caroline wasn't involved in the fraud
11 in the beginning. She was a 24-year-old trader at Alameda when
12 she began when Sam Bankman-Fried, Gary Wang and Nishad Singh
13 founded FTX and when they installed the back door that gave
14 Alameda unlimited borrowing ability. But as Bankman-Fried gave
15 Caroline more responsibility at Alameda, her knowledge and
16 participation in the fraud increased, and to be sure, there
17 were chances to say no, to quit, and to protect herself.

18 Your Honor, the question that she and we have wrestled
19 with is the why. Why did Caroline go along when Bankman-Fried
20 brought her into this fraud? Why didn't she just walk away
21 before it was too late? Caroline has never minimized her roles
22 in these crimes. She has accepted full responsibility for the
23 choices she made during the time that she worked at Alameda. I
24 would like to highlight a few points that I think are relevant
25 to understanding the question of why she participated in these

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1 crimes.

2 One of the things, Judge, that jumps out of her
3 private writings which were excerpted in our sentencing
4 submission and the government's 5K letter, is just how
5 concerned she was with not being "good enough for Sam
6 Bankman-Fried," how much her sense of self-worth got tied up in
7 what he thought of her, both romantically and professionally.
8 You can see where that came from. Caroline met Bankman-Fried
9 when she was still in college. She had a crush on him from the
10 beginning. And then she saw him achieve staggering levels of
11 succeed, building billion dollars businesses from scratch and
12 becoming famous and powerful. On the one hand, it was
13 genuinely thrilling for her when he expressed romantic interest
14 or valued something that she did at work. On the other hand,
15 it was devastating when he was emotionally distant, withholding
16 of affection or critical of her trading decisions. Over time
17 her whole professional and personal life came to revolve around
18 Bankman-Fried.

19 And he wasn't hesitant about taking advantage of the
20 power that he had over her. For example, when she was thinking
21 of leaving Alameda in the summer of 2021, he told her that he
22 loved her, lured her back to return to Hong Kong. He exploited
23 her commitment to effective altruism, convincing her that
24 working for him at Alameda was her highest calling, even when
25 she wanted to leave the bubble that he had constructed around

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1 himself.

2 Caroline should have left. Every day she profoundly
3 regrets her decision not to have done so. She had the
4 opportunity to leave at several points, but, Judge, despite how
5 unpleasant much of her day-to-day life was, she could not bring
6 herself to leave Bankman-Fried's orbit. She followed him
7 around the world, and in doing so, she became increasingly
8 isolated from her family, from her friends, from anyone who did
9 not admire Bankman-Fried.

10 In hindsight, she sees that it was crazy to stay at
11 Alameda. She realizes now that it was wrong to single-mindedly
12 seek validation in what he said and what he did. Eventually,
13 Caroline understood that all of this would likely end in
14 disaster, but, unfortunately, that was after Bankman-Fried had
15 disregarded her advice and plunged Alameda deep into debt to
16 finance a highly ill-considered venture funding spree, and it
17 was after the crypto markets had crashed and Alameda's lenders
18 had demanded their money back, and by then it was too late, and
19 she could see no way out for herself that wouldn't only hasten
20 that disaster.

21 And so, as you heard her testify at trial over the
22 course of three days, she spent the months ahead living in
23 dread, until finally the collapse came. And your Honor will
24 recall Caroline's testimony about the "worst week of her life"
25 when she felt both indescribable sadness for all the harm that

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2 they had caused, all the people they had betrayed, but also an
3 overwhelming feeling of relief from no longer having to lie.
4 Your Honor heard the tape of the all-hands meeting on
5 November 9 of 2022 when she became the first person to publicly
6 reveal the truth, and that meeting really marked a turning
7 point in her life. Since then she has done all that she can to
8 atone for her crimes.

9 As the letter from John Ray describes, which is among
10 the materials attached to our submission, "While others were
11 helping Bankman-Fried try to move assets to the Bahamas,
12 Caroline was working tirelessly to help FTX bankruptcy counsel
13 secure assets in the chaotic first days after Bankman-Fried had
14 resigned as CEO." Mr. Ray credits Caroline's assistance with
15 "the recovery of hundreds of millions of dollars in debtor
assets for the benefit of creditors."

16 Time was of the essence in those early days, and
17 Caroline immediately began helping the debtor bankruptcy
18 advisors within 24 hours of commencing the Chapter 11 cases.
19 In fact, she prioritized helping FTX's bankruptcy counsel
20 secure assets, even over engaging her own personal counsel, and
21 we submit that this shows that her first instincts weren't to
22 protect herself but to try to make things right and to try to
23 begin helping those she had harmed.

24 She voluntarily returned to the United States and
25 promptly began cooperating with the U.S. Attorney's Office, the

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1 SEC, and the CFTC. As the government recounts in its 5K
2 letter, your Honor, Caroline's cooperation was "extraordinary,
3 exemplary, crucial, a cornerstone of the trial, and marked by
4 remarkable candor, remorse and seriousness."

5 Judge, I just want to highlight one part of what makes
6 her cooperation in this case so extraordinary. Caroline began
7 meeting with the government just a few weeks after FTX
8 collapse, and this was before many of the documents that ended
9 up being used at trial had been located or reviewed either by
10 her or by the government. From the beginning of her meetings
11 with the government, she spoke with unusual transparency,
12 clarity and honesty about what she and others did at Alameda.
13 And as new documents surfaced, they repeatedly confirmed what
14 she had said from the very beginning of her meetings. Over the
15 ensuing months, she met regularly with the government to assist
16 the government in the course of its investigation. She
17 conducted extensive document review to help identify critical
18 evidence, several pieces of which the government relied upon in
19 its closing argument before your Honor.

20 Caroline was unflinching in describing to the
21 government and ultimately to the jury and to the Court the
22 dynamics of her relationship with Bankman-Fried. She didn't
23 shy away from the details, however embarrassing they were. Her
24 honesty and openness was ultimately critical to the
25 government's case. And as the Court saw, she was able to

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1 recount for the jury key aspects of Bankman-Fried's motives and
2 his mindset, including his desire to transform his wealth into
3 political power, his disregard for telling the truth, and his
4 highly cavalier attitude toward taking enormous risk.

5 Caroline now comes before the Court ready to accept
6 whatever sentence your Honor deems just. For the reasons
7 explained in our submission, we respectfully submit that
8 justice does not require sentencing her to imprisonment.
9 Obviously, this was an enormous and extraordinary fraud.
10 Caroline will carry the shame of her participation in this
11 crime for the rest of her life. But against that, your Honor,
12 we ask the Court to weigh the unusual circumstances here,
13 including the reasons why she became involved in these crimes,
14 the fact that as the government noted in its 5K, it "found no
15 evidence that she enjoyed the wealth generated by the fraud,"
16 and everything she has done to assist in recovering assets and
17 attempting to bring justice for victims. This starts with her
18 exemplary cooperation with the Justice Department, with the
19 SEC, the CFTC, the debtors, and the MDL plaintiffs.

20 Were the Court to decline to imprison Caroline, it
21 would send a powerful message about the value of timely, honest
22 and full cooperation with the government in cases of financial
23 crime. She has also sought to make amends through the
24 forfeiture process. As explained in our brief, she had the
25 vast majority of her savings on FTX, funds that she, unlike

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1 other insiders, left there long after she knew that a collapse
2 was likely. She did not believe that it would be fair to move
3 her assets off of the platform to protect herself while other
4 customers and victims remained at risk. She has abandoned any
5 claim to the assets she once held on FTX and with regard to her
6 off-FTX assets, she has entered into settlements with the
7 government and the FTX debtors that will leave her with nothing
8 that she earned at Alameda research. She has also agreed to
9 assign to the government the rights to any income from telling
10 her story, meaning that she will never profit in the future
11 from her role in this crime. She will also continue
12 cooperating with the debtors in their continuing adversary
13 proceedings against the recipients of funds from Alameda to
14 continue to help recover assets, and as Mr. Ray's letter notes:
15 "Her cooperation will continue to be important to maximize
16 recovery for the creditors." Likewise, your Honor, as noted in
17 the submission from counsel to the MDL plaintiffs, Caroline
18 will continue to cooperate with MDL counsel and has agreed to
19 provide them with information and testimony to facilitate
20 recovery for victims.

21 Finally, Judge, we submit that imprisoning Caroline is
22 unnecessary to safeguard the public. The letters on her behalf
23 and her cooperation over the last almost two years demonstrate
24 that she has recovered her moral compass that guided her before
25 she started working at Alameda. She will never ever engage in

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1 criminal conduct. She has accepted lifetime bans from the SEC
2 and the CFTC that will prevent her from serving as an officer
3 or director in any public company and from working in the
4 finance commodities or crypto business in the future.

5 Your Honor, Caroline Ellison is a good person who at
6 29 years old can still make a positive impact in the world.
7 Her notoriety will likely leave her unemployable in the future,
8 as it has for the last two years. But she is already doing
9 small things to directly help people where she can, and you saw
10 this from some of the submissions that were provided to the
11 Court -- sending books to prisoners, helping low-income people
12 do their taxes, serving at a soup kitchen, writing a math
13 textbook for gifted high schoolers. Caroline remains committed
14 to doing everything in her power to atone for the harm that she
15 caused.

16 Your Honor, the last almost two years have been
17 devastatingly difficult for her. She has lived with deep
18 uncertainty and fear and anxiety about what will happen to her.
19 Every aspect of her personal life has been poured over and over
20 again and reported by the press. Her physical appearance has
21 been the subject of internet fascination and scrutiny. Her
22 most private thoughts and reflections were plastered all over
23 the press after Bankman-Fried leaked them. Personal details
24 that she shared with a therapist were divulged in a
25 best-selling book that was published on the very eve of trial

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1 in this matter. She and her family have been repeatedly
2 harassed in public. She has essentially been forced to live in
3 hiding since all of this unraveled.

4 As noted in its 5K letter, Judge, "the government
5 cannot think of another cooperating witness in recent history
6 who has received a greater level of attention and harassment."
7 But throughout this personal upheaval for her, she has shown
8 remarkable resilience and has concentrated singularly on what
9 it means to be a cooperating witness with the government.

10 Your Honor, I've worked with a lot of cooperators over
11 the years, and I'm deeply struck by her level of commitment to
12 her obligations and her seriousness of purpose. Not once has
13 she embellished a single fact or memory. Not once has
14 something she has reported to the government been contradicted
15 later. For someone who still isn't 30 years old, she has
16 endured unimaginable pressure and the unremitting glare of the
17 entire world with striking focus and strength.

18 Consistent with the probation office's recommendation,
19 we respectfully submit that a term of supervised release would
20 be appropriate and in the interests of justice. Your Honor,
21 Caroline still has a lot to give of herself to this world, and
22 we respectfully ask the Court to give her a second chance.
23 Thank you.

24 THE COURT: Thank you.

25 Ms. Ellison, you have the right to speak before you

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1 are sentenced. Is there anything you'd like to say?

2 THE DEFENDANT: Yes, there is, your Honor.

3 THE COURT: If you wouldn't mind going over to the
4 dais, to the lectern.

5 THE DEFENDANT: I want to start by saying how sorry I
6 am. I want to apologize most of all to the victims, to all the
7 customers, lenders and investors who lost money as the result
8 of my actions. I also want to apologize to FTX and Alameda
9 employees who lost their jobs, to my family and friends, and to
10 everyone I lied to or misled over the course of my time in
11 Alameda. It's been almost two years since the collapse of FTX
12 and not a day goes by when I don't think about all the people
13 I've hurt.

14 The human brain is bad at truly understanding big
15 numbers. I ran into this a lot when I worked at Alameda and
16 had to make decisions involving millions or billions of
17 dollars. So I think on some level my brain can't even truly
18 comprehend the scale of the harms I've caused. That doesn't
19 mean I don't try. So to all the victims and everyone I harmed
20 directly or indirectly, I am so, so sorry. I can't even begin
21 to imagine the pain I must have caused to so many of you. I
22 have participated in a criminal conspiracy that ultimately
23 stole billions of dollars from people who put their trust in
24 us. We abused that trust in the worst possible way, and I am
25 deeply ashamed of what we've done. Without excusing my

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1 actions, I want to try to offer an explanation of how I ended
2 up doing this.

3 If you had told me back in 2018 that in just a few
4 years I would find myself pleading guilty to fraud, I would
5 life told you that you were crazy. I've always thought of
6 myself as an honest person, as someone with integrity, and as
7 someone who tries to do the right thing and to help others.
8 But at Alameda, I gradually found myself drifting away from the
9 kind of person I wanted to be. The longer I worked at Alameda,
10 the more my sense of self became inextricably intertwined with
11 what Sam thought of me and the more I subordinated my own
12 values and judgment to his own. Work increasingly became my
13 life, and I was surrounded by other FTX employees and isolated
14 from the rest of my friends and family. The culture that
15 promoted positivity and discouraged worries and criticism made
16 it hard for me to be a dissenting voice.

17 At each stage of the process, it felt harder and
18 harder to extricate myself and to do the right thing. There
19 were times when I wanted to confide in someone on the outside
20 about what was going on, but every time I thought about it, I
21 heard Sam's voice in my head from past times he had admonished
22 me for sharing information about Alameda too freely, even
23 within the company. Ignoring that voice in my head and
24 speaking out would have been brave. I'm sorry I wasn't brave.

25 I've had a lot of time in the past two years to think

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1 about how to move on from this and what to do now. For many
2 years, it was my dream to do something really good for the
3 world. Now I know that achieving that dream will be much
4 harder, but I don't think that means I should give up. For one
5 thing, I found it meaningful to tell the truth about everything
6 that happened. Lying isn't something that comes naturally to
7 me, and the pressure I felt to lie over the years I was at
8 Alameda was often a great source of stress. Since the collapse
9 of FTX, it's been a relief to be able to be completely honest
10 and open with investigators, prosecutors, and the Court about
11 everything. I know it isn't much, but cooperating fully feels
12 like the least I can do for the victims.

13 And for another thing, I found meaning in just trying
14 to be a good person every day in small and normal ways. If I
15 can help a family get the tax credits they're entitled to or
16 help a student get her high school equivalency diploma or send
17 a book that will brighten an incarcerated person's day, these
18 things may just be grains of sand on the cosmic scale, but at
19 least they're moving it in the right direction.

20 Finally, I have some people I want to thank. Lots of
21 people in my life have been angry at what I've done or
22 disappointed in my actions. Many have wanted to end their
23 friendship or association with me. I don't blame them one bit.
24 But I do appreciate immensely the people who have supported me:
25 My family who is here today and has been completely unwavering;

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1 my partner, I don't know how I could have done any of this
2 without you; everyone who has written me a letter of support;
3 my old friends who stuck by me and new friends who have been
4 incredibly kind and welcoming; the people I volunteered with
5 who have made me feel like a valued member of the team; those
6 with criminal records who have turned their lives around and
7 opened up to me and shared their stories, you guys are an
8 inspiration; the man I served food to in a soup kitchen who
9 told me that with what I was going through, he figured I might
10 need a friend. To all of you, your support and faith in me
11 means more than words can say. Whatever happens here today I
12 will spend the rest of my life trying to be worthy of it.

13 THE COURT: Thank you.

14 Ms. Sassoon.

15 MS. SASSOON: Yes, your Honor.

16 THE COURT: I assume you want to make your motion for
17 the record.

18 MS. SASSOON: Yes, your Honor, the government moves
19 for the Court to sentence Ms. Ellison in light of the factors
20 set forth in Section 5K1.1(a) of the guidelines.

21 THE COURT: Thank you. The motion is granted.

22 MS. SASSOON: I want to begin where your Honor left
23 off at Mr. Bankman-Fried's sentencing. The Court spoke about
24 the importance of public respect for the criminal justice
25 system and sometimes, as in the case of Sam Bankman-Fried, that

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means incapacitating and deterring criminals who have committed serious crimes, have shown no remorse, and pose a significant risk to society.

Just as important for the integrity and fairness of our justice system is that we recognize also when leniency is warranted, even in the case of very serious crimes; that we distinguish between the mastermind of criminal scheme and the willing accomplice, between the con artist and the person who committed fraud but is unlikely to do it again, and between the defendant who deflects blame and feigns ignorance and the person who accepts responsibility, assists the government and exhibits substantial remorse and rehabilitation. By these measures, Caroline Ellison deserves leniency, and, as I noted, the government is moving for the Court to sentence her in light of the Section 5K1.1 factors.

Ms. Ellison's supporters have asked the Court to extend mercy and impose a lenient sentence. In the government's view, a lenient sentence is also what is just. The government put in a lengthy letter, so I want to use this time to offer a few additional observations that might assist the Court.

Your Honor had the opportunity to observe Ms. Ellison's demeanor on the stand and evaluate her testimony at trial. The woman the Court saw on the stand in October 2023 is the same person who came to proffer with the government in

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1 early December of 2022, and the same person who spoke to her
2 employees at the all-hands meeting on November 9 of 2022. This
3 exemplifies both the remarkable speed of her cooperation and
4 also her consistent truthfulness. Part of why Ms. Ellison's
5 testimony was so devastating and such powerful proof of
6 Bankman-Fried's guilt and why cross-examination even by very
7 able attorneys did not damage her credibility, was because of
8 her candor and her refusal to minimize her own role or sidestep
9 the most humiliating aspects of her conduct. A diligent lawyer
10 combing the proffer notes for inconsistent statements was just
11 not going to find them. Simply from the standpoint of
12 demeanor, this was a powerful contrast with Bankman-Fried's
13 testimony during which he was inconsistent, evasive, even
14 contemptuous and unwilling to answer questions directly. After
15 observing the two on the stand, the jury easily credited
16 Ms. Ellison.

17 On the substance, I cannot overstate the importance of
18 Ms. Ellison's testimony in convicting Bankman-Fried, the
19 architect of one of the largest financial frauds in recent
20 history who very much tried to get away with it. As your Honor
21 knows, he put in place his cover story before FTX even
22 collapsed, and his cover involved recruiting Ms. Ellison to do
23 his dirty work and ultimately take the fall. He doubled down
24 on that cover story in the media after FTX's collapse,
25 simulating sorrow that mistakes were made but taking no genuine

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1 responsibility. And he tried to sell that story to the jury.
2 That might have succeeded without Ms. Ellison's cooperation
3 which, together with the other trial evidence, proved beyond
4 any reasonable doubt his criminal knowledge and intent. I
5 won't walk through all the evidence again, but the government's
6 closing argument focused on several points along the way where
7 Bankman-Fried intentionally doubled down on the scheme and
8 deliberately expanded its scale. Much of that proof derived
9 from Ms. Ellison's testimony, the evidence that corroborated
10 it, including documents Ms. Ellison helped the government
11 identify within discovery.

12 The 5K1.1 factors overwhelmingly favor a reduction in
13 the sentence Ms. Ellison would otherwise face, and they also
14 bear on the traditional sentencing factors under Section
15 3553(a). In particular, concerns about specific deterrence and
16 incapacitation, which were at the forefront of
17 Mr. Bankman-Fried's sentencing, are not salient here in light
18 of Ms. Ellison's substantial cooperation and rehabilitation.
19 Finally, I want to speak too about the characteristics of
20 Ms. Ellison, which is another factor for the Court to consider.

21 I spent time over the past two weeks reading the
22 letters submitted on behalf of Ms. Ellison. Sometimes letters
23 of support illuminate aspects of a person's character or
24 personal life that were otherwise unknown to the government,
25 even after a lengthy investigation and many interviews. That

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1 was not the case here. The content of the letters echoed some
2 of what the government learned about Ms. Ellison over the
3 course of speaking with numerous former Alameda and FTX
4 employees, many hours interviewing Ms. Ellison and preparing
5 her for trial, and after reviewing countless pages of
6 contemporaneous notes and journal entries. Unlike
7 Bankman-Fried, she is not cunning. There is no evidence that
8 she was driven by greed or that an appetite for risk or power
9 is part of her nature. To be sure, she was too willing to
10 serve Alameda and Bankman-Fried at all costs, and she made
11 terrible misjudgments and took catastrophic actions that she
12 knew were wrong. Her crimes, as she has acknowledged, have
13 grave, real-world consequences for a staggering number of
14 people.

15 It is still important to highlight key differences
16 between Bankman-Fried and Ellison. And while the size of the
17 fraud ballooned, so did Bankman-Fried's influence and power.
18 He took the stage with the likes of Bill Clinton, he illegally
19 expanded his influence in our political system, and continued
20 to invest money that was not his and that he could not repay.
21 At that time, Ellison's journal entries expressed misery and
22 anxiety. Her primary sizable purchase was \$10 million of
23 anthropic shares, which she is now forfeiting to the government
24 if your Honor enters the consent preliminary order of
25 forfeiture.

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1 As has been discussed already today, contemporaneous
2 messages confirm the relief Ms. Ellison felt when her crimes
3 were exposed and she came clean to her employees. And unlike
4 Ryan Salame, who the Court has already sentenced, she did not
5 jump into the lifeboat. She left her assets on FTX and turned
6 her attention to helping the bankruptcy and then the federal
7 government.

8 Time and again courts have recognized that this type
9 of cooperation that helps expose wrongdoing and holds others to
10 account merits serious consideration. Rightly so, especially
11 here, where Bankman-Fried used his considerable guile to deny
12 responsibility, and where leniency in this case will send a
13 widely received public message that encourages acceptance of
14 responsibility, cooperation with the government, and sends a
15 message about the promise of redemption even after very serious
16 wrongdoing.

17 For her critical role in holding Bankman-Fried
18 accountable and for the other reasons discussed here today and
19 in our letter, a sentence substantially below the guidelines is
20 sufficient here to meet the goals of sentencing and promote
21 respect for the law.

22 THE COURT: Thank you.

23 There are a number of remarks related to explaining
24 the system in which I am operating that I want to make, and
25 since Mr. Bankman-Fried already has been sentenced and

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1 Ms. Ellison was a party to the fraud for which he was sentenced
2 that are relevant to the differences between them.

3 First of all, a number of years ago Sentencing
4 Guidelines were adopted which in their inception bound federal
5 judges in sentencing defendants. A guideline range was
6 computed. I was looking for the manual. The manual is now
7 about an inch and a half thick. Everything had a point range
8 and so forth, and there was a grid at the end of it, and it
9 still does, and we were all bound by it. It made life easier.

10 In due course, the Supreme Court said it was not
11 binding on federal judges. Federal judges, however, must
12 consider the guideline range computed under the big manual, but
13 I am not bound by it. In either case - that is, either the
14 period of time in which the guidelines were mandatory or the
15 subsequent period in which we've been living for a number of
16 years - the court was freed of adherence to the guidelines if
17 the government wrote something called a 5K letter. That's a
18 letter in which the prosecution says that the defendant to be
19 sentenced rendered substantial assistance to the government,
20 and thus would be eligible, if the Court agreed, to be
21 sentenced outside the guideline range altogether. That
22 explains some of the legal jargon that you've heard so far this
23 afternoon.

24 In any case, however, the Sentencing Reform Act, which
25 long preceded the guidelines, as I remember it, requires us to

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1 consider the nature and circumstances of the offense, the
2 history and characteristics of the defendant, the need to
3 reflect the seriousness of the offense, to promote respect for
4 law and to provide just punishment, and to afford deterrence of
5 two different kinds: Deterrence against others who might be
6 deterred from committing crimes by the example of the sentence
7 in the case under consideration, and deterrence of the
8 violator, the defendant who is being sentenced, in the sense
9 that if you lock them up, they're not going to do it while they
10 are in jail. And all of this was subject to something called
11 the parsimony clause, which provides that in no event shall the
12 sentence be greater than is necessary to accomplish the
13 objectives of which I just spoke.

14 Those are the governing principles wherein the
15 nonbinding guidelines range, the 5K application the government
16 made which I've granted in relation to Ms. Ellison's very, very
17 substantial cooperation, would, under either regime - mandatory
18 or otherwise - give me a largely free hand to do what I think
19 is appropriate in light of all of these factors, which cut in
20 different directions in this case and in almost every other
21 case.

22 Now, a word about how this relates to the sentence
23 I've previously imposed in this case. The guideline range for
24 both Bankman-Fried and Ms. Ellison computed according to the
25 manual is the same: 110 years in prison. When

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1 Mr. Bankman-Fried was up for sentence, I think the probation
2 department recommended that I depart from that and sentence him
3 to merely 104 years, isn't that right? I believe that's right.
4 With all due respect, I thought that was absurd. And it was
5 absurd then, and it's most certainly absurd here. This is the
6 real world now. This isn't what a bunch of professors cooked
7 up with a chart and a whole bunch of factors.

8 The first difference, of course, between
9 Mr. Bankman-Fried and Ms. Ellison is she cooperated, and he
10 denied the whole thing. And to coin a phrase that a late
11 former partner of mine used on occasion: He denied the
12 allegations and the alligators who made them. He went to
13 trial, as was his right, and it didn't work out so well. The
14 reason it didn't work out so well in some significant part is
15 that Ms. Ellison cooperated. You folks have all heard from
16 Ms. Sassoon already about the value and the quantum of
17 cooperation she provided.

18 I've seen a lot of cooperators in 30 years here. I've
19 never seen one quite like Ms. Ellison. I don't remember a
20 single time when she was caught in the slightest error of fact,
21 the slightest inconsistency with whatever she had told the
22 government months before and what she said on the stand. Not
23 one. I saw no inconsistency at all between the documentary
24 evidence and what she said on the stand. And what she said on
25 the stand was very incriminating of herself, and she pulled no

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1 punches about it.

2 One of the remarkable parts, and it's only one - there
3 were a great many - related to what I will always remember as
4 the seven balance sheets. There was a time when lenders were
5 calling in the loans to Alameda, and one of them, I believe
6 Genesis, asked Alameda for a balance sheet, and Ms. Ellison
7 prepared a rough balance sheet and showed it to
8 Mr. Bankman-Fried. He said, "Boy, that doesn't look too good"
9 or words to that effect, or agreed with her assessment of that
10 to the same effect. He told her to see what she could do to
11 obscure more effectively the disastrous condition that Alameda
12 was in. So she did a spreadsheet on her computer or I guess an
13 Excel worksheet, an Excel spreadsheet with multiple worksheets,
14 and prepared seven different balance sheets, each one more
15 fraudulent than the last. And she showed it to him, and he
16 picked the last and said, "Send that one." It hid almost
17 everything. It was an outrageous fraud.

18 But as I understand what I have been told of the story
19 about how that piece of evidence wound up at trial, it is that
20 Ms. Ellison remembered it when she was talking to the
21 government before they had the spreadsheet, before the document
22 was in their hands or had been looked at, at any rate. And she
23 described it, as I understand it in detail, and eventually in
24 going through documents that the government obtained, I think
25 it was Ms. Ellison who found it. Am I correct, Ms. Sasso?

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1 MS. SASSOON: Yes.

2 THE COURT: She found it and said, "Here it is." And
3 darned if it wasn't exactly what she had described before the
4 government had or before she had the spreadsheet, and she knew
5 it because she remembered everything about that spreadsheet and
6 how it came to be. That was one of the huge pieces of evidence
7 in this case. And my recollection is - and it may be flawed
8 because I can't commit to memory a trial transcript in every
9 case I try - is that when Mr. Bankman-Fried was first asked
10 about it at trial, he said something like either he had never
11 seen it or he had never seen anything with the seven different
12 versions, I forget which. And then it turned out there was
13 metadata on the computer file that proved that he had been
14 through it.

15 Now, if I made a mistake here on my facts, I ask both
16 counsel, do I have it right?

17 MS. SASSOON: That's generally right, your Honor.

18 THE COURT: Generally right.

19 Mr. Sahni?

20 MR. SAHNI: Yes, your Honor.

21 THE COURT: Okay.

22 Well, that's cooperation. Mr. Bankman-Fried was the
23 opposite.

24 So, Ms. Ellison, while you were gravely culpable in
25 this fraud, there is no doubt about it, that remarkable

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1 cooperation - not just that incident either - is a fundamental
2 distinction between you and Mr. Bankman-Fried. You were also
3 less culpable even before you started cooperating. The
4 government in their closing statement -- strike that. The
5 government in their argument when I sentenced Mr. Bankman-Fried
6 said something that I thought was accurate. I still think it
7 is accurate, and it's relevant here. They said he, and I quote
8 "was greedy to use people's money and advance his own ambition,
9 arrogantly sure of his capacity to pull it off and smugly
10 dismissive of the skeptics, the critics, the rule of law and
11 his victims."

12 Ms. Ellison was less so. She was by no means free of
13 culpability. She was seriously culpable, but it wasn't greed
14 to use other people's money. It certainly wasn't to advance
15 her own ambition beyond her belief in effective altruism that
16 she should make as much money as she could so she could give it
17 away. She had doubts and she voiced them to Bankman-Fried at
18 the time. So why did you do it? Well, both counsel have
19 addressed that.

20 You're a very strong person, Ms. Ellison, in some
21 ways, but you are not inviolable, and somehow, for some reason
22 that is hard for me to understand, Mr. Bankman-Fried had your
23 kryptonite. You were vulnerable, and you were exploited. You
24 shouldn't have allowed it. You knew better. That's why you
25 were indicted. But there is an order of magnitude of

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1 difference in my mind between how you came to be a culpable
2 person and how he came to be a culpable person.

3 The third thing I want to say, of course, is obvious
4 at this point. You are genuinely remorseful. I think
5 Mr. Bankman-Fried is sorry too. He's sorry that the gamble he
6 improperly took didn't work out, and he's really sorry he got
7 caught. Your remorse is the real thing, and that was evident
8 when you were on the witness stand, but it surely became
9 evident a lot earlier, and mention was made, I think by both
10 counsel, of what happened when everything began to hit the fan
11 on November 9 of 2022. You were in Hong Kong. You called an
12 all-hands meeting. You spoke to your colleagues there. You
13 were being recorded, but you didn't know it, but everyone has
14 now heard the recording, and you made a clean breast of what
15 had happened. You admitted your own culpability, you
16 apologized for it, and your subsequent behavior indicates that
17 that was all sincere. Your testimony was honest.

18 Mr. Bankman-Fried, as I said, at his sentencing perjured
19 himself.

20 Let me say a word about deterrence or even before I
21 come to that, one other thing.

22 Your cooperation in this case has come at a serious
23 price that you have paid emotionally and personally. I needn't
24 go into the details. Counsel have done that already. But your
25 life, every part of your life, has been turned inside out in

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1 public to an unusual degree, and now that's probably,
2 hopefully, going to relax.

3 And finally, I want to talk about deterrence.

4 Specific deterrence, which refers to imposing a sentence that
5 would incapacitate you from committing further crimes, in my
6 estimation is entirely unnecessary in this case. There is no
7 way you are ever going to do something like this again, I am
8 persuaded. But here is the thing. This was, if not the very
9 greatest financial fraud ever perpetrated in this country and
10 probably anywhere else, close to it. And fraud particularly,
11 though obviously not exclusively, in the worlds of finance,
12 commodities, investments, cryptocurrencies, is easy, and it has
13 attracted a lot of perpetrators. And it's all very well to say
14 that a remorseful and a cooperative defendant who helps the
15 government against all the bad actors should get substantial
16 cooperation -- excuse me -- substantial consideration. It's a
17 feature of our system. There is no question about it. It's
18 important to the ability of the justice system to function.
19 All of us who have functioned in it know that. But for it in a
20 case this serious to be literally a get-out-of-jail-free card
21 is not something I can see my way clear to. There is a balance
22 in sentencing between the seriousness of the crime, the need to
23 deter others, and the need to promote respect for the law, all
24 of which argue for an incarceratory sentence, against the very,
25 very substantial credit to which I believe you're entitled for

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1 your genuine remorse and your very substantial assistance to
2 the government.

3 That said, please rise for the imposition of sentence.

4 Ms. Ellison, it is the judgment of this Court that you
5 be committed to the custody of the Attorney General of the
6 United States or his designee for a term of imprisonment of
7 24 months on each count, the terms to run concurrently; that
8 you thereafter are to serve a term of supervised release of
9 three years; and that you pay the mandatory special assessment
10 of \$700. It is further adjudged that you forfeit to the United
11 States the sum of \$11 billion 20 million dollars on the terms
12 and as more fully set forth in the order of forfeiture that I
13 have signed today; and that you pay such restitution, if any,
14 as the Court may require in a subsequent proceeding.

15 The term of supervised release shall be subject to the
16 mandatory, the standard, and the special conditions of
17 supervision set forth in the presentence report (which you have
18 told me you have read) for the first 18 months of the
19 three-year term. The term of supervised release will be
20 subject to those conditions for the first 18 months of the
21 three-year term. Throughout the entire three-year term, it
22 will be subject to one additional special condition, which is
23 that you continue to cooperate with the government, including
24 the SEC, the Commodities Futures Trading Commission, and with
25 the bankruptcy Estate of FTX Trading if and to the extent you

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1 are requested to do so.

2 You may be seated.

3 I recommend to the Bureau of Prisons that the term of
4 imprisonment be served at a minimum security facility. This
5 defendant is simply not someone who has any risk of flight or
6 any danger to anyone else.

7 I advise you, Ms. Ellison, that you have the right to
8 appeal from the judgment imposing this sentence if you wish to
9 do so. If you wish to do so, you have the obligation to file a
10 written notice of appeal with the Clerk of the district court
11 no later than 14 days after the date on which judgment is
12 entered, which may be as soon as today. If you wish to appeal
13 and you can't afford to pay the fees necessary to do so, you
14 can file for permission to appeal as a poor person. If that
15 application were granted, you'd be permitted to appeal without
16 payment of the fees. And if you couldn't afford a lawyer, a
17 lawyer would be appointed for you at government expense.

18 Counsel, any objection in point of law to the sentence
19 as I've imposed it? Anything you think I should alter, not
20 because you disagree with it because it's erroneous?

21 MR. REHN: Your Honor, just the one thing as we
22 discussed at the beginning, if the Court could just include
23 that restitution is not mandatory because of the conditions
24 that I outlined earlier, the number of identifiable trial court
25 victims is too large and determining complex issues of fact

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1 would unduly burden the sentencing.

2 THE COURT: I will certainly say that as to the second
3 factor. I so find as to the second factor.

4 Mr. Sahni?

5 MR. SAHNI: Yes, Judge, we would ask the Court to
6 recommend that Ms. Ellison be designated to a facility as close
7 to the Boston area as possible.

8 THE COURT: So recommended.

9 Anything else?

10 MR. SAHNI: We would also ask, Judge, for a surrender
11 date of 45 days, assuming she has received a designation by
12 that time. And if she has not, we would ask that it be delayed
13 until such time as she has received a designation.

14 THE COURT: Well, here is what we will do: Andy, give
15 me a date around then, please.

16 DEPUTY CLERK: I think that would be November 7,
17 Judge.

18 THE COURT: Okay. Ms. Ellison, you are continued on
19 bail on the condition that you voluntarily surrender to the
20 Bureau of Prisons on the date and by the time specified by it
21 at the institution where you will serve your sentence. I also
22 direct that you comply with this condition. Any violation may
23 result in the revocation of your bail and of further
24 prosecution for escape. The date for surrender shall be set by
25 the Bureau of Prisons on or after November 7, 2024.

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1 If for any reason, Mr. Sahni, we're coming up to
2 November 7 and the Bureau of Prisons has not made a
3 designation, get in touch with my chambers, and unless there's
4 some unforeseen condition, I will postpone the surrender date
5 to permit the Bureau of Prisons to designate it.

6 MR. SAHNI: Thank you, Judge.

7 THE COURT: Okay.

8 I want to thank both counsel for excellent
9 presentations. The papers on this sentencing were excellent
10 and unusually helpful. Thank you.

11 (Adjourned)

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